THE MINISTER OF STATE OF THE MINISTRY OF CIVIL AVIATION (SHRI PRAFUL PATEL): (a) to (d) Bilateral air services consultations between India and Pakistan were held on 14-15 February, 2008 at Rawalpindi in Pakistan. As per the MOU signed between the two sides during the talks, the capacity entitlements for the designated airlines of each side have been increased from 12 flights per week to 28 flights per week. Also, Islamabad and Chennai have been granted as additional points of call for the designated airlines of India and Pakistan respectively.

As per the agreement reached during the above talks, each side could now designate up to three airlines. At present, Indian Airlines is the only designated Indian carrier and Pakistan International Airlines, Shaheen Air International and Air Blue are the designated airlines of Pakistan.

Derivatives Trading by Indian Banks

*166. SHRI RAJEEV CHANDRA SEKHAR: Will the Minister of FINANCE be pleased to state:

(a) the quantum of derivatives trading and exposure on Indian stock market by Indian banks with their own capital during the last three years ending 31st December, 2007, year-wise and bank-wise, and

(b) what systematic safeguards are in place to prevent the recurrence of any large scale losses arising from derivatives trading like the one recently reported in France by Societe Generale?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) As per the extant guidelines of Reserve Bank of India (RBI), equity derivatives are not in the list of permissible derivative instruments that may be transacted by the banks. Bank-wise statements indicating total outstanding notional principal amount of derivatives and outstanding direct investment by Indian banks in capital market for the last three years as at end December 2005, 2006 and 2007 are given in the statement-I and statement II respectively.

(b) To provide a framework for undertaking derivatives transactions from a regulatory perspective, RBI has issued comprehensive guidelines on derivatives on 20th April, 2007 enunciating the broad principles and major requirements for undertaking derivative transactions, such as the participants, purpose, eligibility criteria to undertake such transactions, permissible derivative instruments/products, etc. The guidelines also set out basic principles of a prudent system to control the risks arising out of derivative transactions as also on corporate governance aspects. As per these guidelines, the banks have to put in place a Board approved policy framework for derivative transactions, to ensure, *inter-alia*, that the policy is consistent with the strategic objectives, capital strength and management capabilities of the institution, to hedge or transfer risks effectively, efficiently and expeditiously. RBI has been vested with extensive powers of supervision, regulation and control over the commercial banks through the Banking Regulation Act, 1949 and Reserve Bank of India Act, 1934. The main instruments of supervision and monitoring over the banks are through 'On-site inspection' and 'Off-site monitoring and surveillance'. During On-site inspections, RBI assesses the adherence by the bank to the regulatory guidelines on risk management systems as well as their ability to identify, measures, monitor and manage all types of risks, besides the adequacy and effectiveness of the internal control and systems in the bank.

Statement-I

Outstanding Notional Principal Amount of Derivatives as at end Dec. 05, 06 and 07

Sl.No.	Bank Name	Dec-05	Dec-06	Dec-07
1	2	3	4	5
1.	Allahabad Bank	11185.83	21463.70	37474.64
2.	Andhra Bank	15806.55	17440.15	14921.74
3.	Bank of Baroda	21713.45	32587.46	39144.89
4.	Bank of India	38169.06	50431.67	97620.75
5.	Bank of Maharashtra	5565.24	9331.47	10529.87
6.	Canara Bank	81317.38	36864.88	59195.30
7.	Central Bank of India	9324.31	10030.86	14320.10
8.	Corporation Bank	12312.77	15896.00	19314.03
9.	Dena Bank	4102.34	6562.90	11213.37
10.	IDBI Ltd.	59441.68	89564.58	81458.83
11.	Indian Bank	5031.29	4061.50	5542.96
12.	Indian Overseas Bank	6867.07	6240.59	10955.39
13.	Oriental Bank of Commerce	3106.85	5558.20	7131.59
14.	Punjab & Sind Bank	1842.74	1137.74	1437.72
15.	Punjab National Bank	34466.15	57267.86	66310.92
16.	Syndicate Bank	29500.23	25010.98	3201.34
17.	UCO Bank	10212.09	10943.77	21487.16
18.	Union Bank of India	29787.32	36277.10	38851.27
19.	United Bank of India	1177.50	2447.01	3470.32
20.	Vijaya Bank	5580.17	5942.91	5576.46
	Nationalised Banks	**386510.02**	**445061.32**	**549158.65**
21.	State Bank of Bikaner & Jaipur	2472.69	4141.20	12097.17
22.	State Bank of Hyderabad	11874.82	9294.98	12774.65
23.	State Bank of India	149858.28	276972.76	468804.07
24.	State Bank of Indore	11979.20	16097.35	19937.30
25.	State Bank of Mysore	3915.55	5229.04	9763.91
26.	State Bank of Patiala	2954.00	4308.05	14762 58
27.	State Bank of Saurashtra	2831.08	2050.26	4311 99
28.	State Bank of Travancore	7292.02	10663.56	8191.44
	SBI & Associates	**193177.64**	**328757.19**	**550643.11**
	Total Public Sector Banks	**579687.66**	**773818.51**	**1099801.76**

1	2	3	4	5
29.	Bank of Rajasthan Ltd	415.20	464.56	497.07
30.	Bharat Overseas Bank Ltd.*	955.71	626.26	
31.	Catholic Syrian Bank Ltd.	171.90	351.73	571.38
32.	City Union Bank Ltd.	455.88	1172.73	2656.26
33.	Dhanalakshmi Bank Ltd.	160.74	223.43	180.75
34.	Federal Bank Ltd.	12344.51	12236.65	10009.15
35.	Ganesh Bank of Kurundwad Ltd.*	0.00		
36.	ING Vysya Bank Ltd.	25169.53	23555.07	45959.02
37.	Jammu & Kashmir Bank Ltd.	3659.44	836.22	5332.10
38	Karnataka Bank Ltd.	1196.29	2103.67	4279.81
39.	Karur Vysya Bank Ltd.	1570.21	2957.32	3695.67
40.	Lakshmi Vilas Bank Ltd.	449.86	390.84	583.11
41.	Lord Krishna Bank Ltd.*	49.06	28.07	
42.	Nainital Bank Ltd.	0.00	0.00	0.00
43.	Ratnakar Bank Ltd.	0.00	0.00	0.00
44.	SBI Commercial & International Bank Ltd.	76.54	70.20	326.44
45.	Sangli Bank Ltd.*	26.82	5.28	
46.	South Indian Bank Ltd.	707.40	630.15	457.43
47.	Tamilnad Mercantile Bank Ltd.	354.37	292.61	996.38
48.	United Western Bank Ltd.*	138.52		
	Old Private Banks	**47901.97**	**45944.79**	**75545.16**
49.	Axis Bank Ltd.	74037.76	108916.50	215179.66
50.	Centurion Bank of Punjab Ltd.	2560.81	5179.26	16016.57
51.	Development Credit Bank Ltd.	3260.55	1894.71	4159.83
52.	HDFC Bank Ltd.	183050.76	257804.15	504406.88
53.	ICICI Bank Ltd.	289105.68	394709.41	767804.73
54.	Indusind Bank Ltd.	12944.22	17934.34	23805.31
55.	Kotak Mahindra Bank Ltd.	36541.94	72281.57	122311.59
56.	Yes Bank Ltd.	15967.76	38193.35	65681.27
	New Private Banks	**617469.48**	**896913.29**	**1719365.84**
57.	ABN AMRO Bank N.V.	187672.86	393809.11	787661.54
58.	Abu Dhabi Commercial Bank Ltd.	429.59	380.17	235.07
59.	American Express Bank Ltd.	41133.01	60610.88	63299.54

1	2	3	4	5
60.	Antwerp Diamond Bank NV	221.38	120.59	330.73
61.	Arab Bangladesh Bank	0.00	0.00	0.00
62.	BNP Paribas	159325.18	359871.64	571163.07
63.	Bank Internasional Indonesia	22.58	9.05	19.74
64.	Bank of America N.T. & S.A	104654.93	171918.96	513764.71
65.	Bank of Bahrain & Kuwait BSC	135.51	88.22	153.97
66.	Bank of Ceylon	343.60	152.11	22.77
67.	Bank of Nova Scotia	7180.22	9997.87	11982.64
68.	Barclays Bank Plc	188882.46	423738.48	896940.65
69.	Calyon Bank	163116.22	264839.13	568950.89
70.	China Trust Commercial Bank	50.15	30.55	5.15
71.	Citibank N.A.	265795.93	424927.62	1636639.79
72.	Deutsche Bank (Asia)	232796.99	455551.97	1313175.06
73.	Development Bank of Singapore Ltd.	29146.26	81350.98	223256.64
74.	Hongkong & Shanghai Banking Corporation Ltd.	224196.88	421038.69	1096328.97
75.	JP Morgan Chase Bank, National Association	113350.63	233086.94	754749.20
76.	Krung Thai Bank pcl	2.09	0.06	0.00
77.	Mashreq Bank PSC	82.23	21.91	13.44
78.	Mizuho Corporate Bank Ltd.	304.10	2299.64	2743.77
79.	Oman International Bank S.A.O.G	226.76	198.74	193.52
80.	Shinhan Bank	94.26	48.93	38.38
81.	Societe Generale	14493.44	35255.18	101674.51
82.	Sonali Bank	2.61	2.05	2.36
83.	Standard Chartered Bank	286215.05	562376.33	1343546.64
84.	State Bank of Mauritius Ltd.	185.52	479.52	200.65
85.	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1835.80	3559.29	4785.06
86.	U F Bank Limited*	286.34		
	FOREIGN BANKS	2022182.58	3905764.62	9891878.45
	ALL BANKS	3267241.70	5622441.21	12786591.21

Source Reserve Bank of India
*Indicates banks closed/merged

Statement-II

Banks direct investments to Capital Market as at end Dec. 2005, 2006 and 2007

(Rs. in Crore)

Sl.No.	Bank Name	Dec-2005	Dec-2006	Dec-2007
1	2	3	4	5
1.	Allahabad Bank	378.79	395.29	423.79
2.	Andhra Bank	156.52	266.70	307.82
3.	Bank of Baroda	383.11	786.77	638.76
4.	Bank of India	204.89	380.83	388.09
5.	Bank of Maharashtra	35.69	193.54	133.07
6.	Canara Bank	468.42	863.96	1172.83
7.	Central Bank of India	131.64	356.41	544.29
8.	Corporation Bank	128.54	318.93	282.01
9.	Dena Bank	28.80	84.04	143.94
10.	IDBI Ltd.	1412.56	1885.37	1834.64
11.	Indian Bank	130.05	257.44	303.52
12.	Indian Overseas Bank	292.87	758.95	659.79
13.	Oriental Bank of Commerce	294.18	625.69	640.91
14.	Punjab & Sind Bank	25.94	30.30	44.32
15.	Punjab National Bank	805.73	1145.46	1008.69
16.	Syndicate Bank	208.84	406.00	452.36
17.	UCO Bank	144.83	203.60	288.71
18.	Union Bank of India	222.95	603.75	803.31
19.	United Bank of India	119.15	224.56	271.11
20.	Vijaya Bank	249.42	256.94	333.96
	Nationalised Banks	**5822.92**	**10044.53**	**10675.92**
21.	State Bank of Bikaner & Jaipur	68.48	89.21	158.28
22.	State Bank of Hyderabad	209.97	125.18	301.85
23.	State Bank of India	1711.08	2592.60	5228.40
24.	State Bank of Indore	75.34	103.67	103.53
25.	State Bank of Mysore	43.75	134.42	104.14
26.	State Bank of Patiala	171.20	119.00	171.57
27.	State Bank of Saurashtra	80.93	32.67	32.34
28.	State Bank of Travancore	60.53	61.83	176.55
	SBI & Associates	**2421.28**	**3258.58**	**6276.66**

1	2	3	4	5
	Public Sector Banks	**8244.20**	**13303.11**	**16952.58**
29.	Bank of Rajasthan Ltd.	21.48	17.87	12.99
30.	Bharat Overseas Bank Ltd.*	12.38	7.43	
31.	Catholic Syrian Bank Ltd.	3.17	5.73	6.32
32.	City Union Bank Ltd.	7.52	15.60	15.75
33.	Dhanalakshmi Bank Ltd.	15.07	5.46	5.80
34.	Federal Bank Ltd.	102.68	154.18	176.60
35.	Ganesh Bank of Kurundwad Ltd.	0.00	0.00	0.00
36.	ING Vysya Bank Ltd.	19.11	17.77	0.54
37.	Jammu & Kashmir Bank Ltd.	108.55	93.33	134.20
38.	Karnataka Bank Ltd.	73.59	105.23	147.93
39.	Karur Vysya Bank Ltd.	53.83	74.91	57.74
40.	Lakshmi Vilas Bank Ltd.	11.18	20.97	22.38
41.	Lord Krishna Bank Ltd.*	2.44	2.23	
42.	Nainital Bank Ltd.	0.75	0.00	1.10
43.	Ratnakar Bank Ltd.	1.50	3.59	3.12
44.	SBI Commercial & International Bank Ltd.	0.22	0.22	0.21
45.	Sangli Bank Ltd.*	1.65	0.57	
46.	South Indian Bank Ltd.	52.03	25.65	44.52
47.	Tamilnad Mercantile Bank Ltd.	8.08	27.98	18.39
48.	United Western Bank Ltd.*	4.05		
	Old Private Banks	**499.28**	**578.72**	**647.59**
49.	Axis Bank Ltd.	214.45	539.98	441.11
50.	Centurion Bank of Punjab Ltd.	9.36	10.26	8.27
51.	Development Credit Bank Ltd.	0.01	3.10	8.85
52.	HDFC Bank Ltd.	93.48	39.44	35.25
53.	ICICI Bank Ltd.	3132.72	3753.72	3747.48
54.	Indusind Bank Ltd.	31.19	21.00	9.70
55.	Kotak Mahindra Bank Ltd.	12.59	32.73	109.10
	Yes Bank Ltd.	0.98	5.46	3.92
	New Private Banks	**3494.78**	**4405.69**	**4363.68**
57.	ABN AMRO Bank N.V.	0.00	0.00	0.00

1	2	3	4	5
58.	Abu Dhabi Commercial Bank Ltd.	0.00	0.00	0.00
59.	American Express Bank Ltd.	0.50	0.00	0.00
60.	Antwerp Diamond Bank NV	0.00	0.00	0.00
61.	Arab Bangladesh Bank	0.00	0.00	0.00
62.	BNP Paribas	0.01	0.01	0.01
63.	Bank International Indonesia	0.00	0.00	0.00
64.	Bank of America N.T. & S.A.	0.06	0.06	0.06
65.	Bank of Bahrain & Kuwait BSC	0.12	0.00	0.00
66.	Bank of Ceylon	0.00	0.00	0.00
67.	Bank of Nova Scotia	0.00	0.00	0.00
68.	Barclays Bank Plc	0.00	0.00	32.28
69.	Calyon Bank	0.00	0.00	0.00
70.	China Trust Commercial Bank	0.00	0.00	0.00
71.	Citibank N.A.	4.75	203.52	3.52
72.	Deutsche Bank (Asia)	5.51	5.51	4.56
73.	Development Bank of Singapore Ltd.	0.00	0.00	0.00
74.	Hongkong & Shanghai Banking Corporation	6.14	7.46	12.46
75.	JP Morgan Chase Bank, National Association	0.00	0.00	0.00
76.	Krung Thai Bank pcl	0.00	0.00	0.00
77.	Mashreq Bank PSC	0.00	0.00	0.00
78.	Mizuho Corporate Bank Ltd.	0.00	0.00	0.00
79.	Oman International Bank S.A.O.G.	0.00	0.00	0.00
80.	Shinhan Bank	0.00	0.00	0.00
81.	Societe Generale	0.00	0.00	0.00
82.	Sonali Bank	0.00	0.00	0.00
83.	Standard Chartered Bank	16.17	18.96	5.03
84.	State Bank of Mauritius Ltd.	0.00	0.00	0.16
85.	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	0.66	0.00	0.00
86.	UFJ Bank Limited*	0.00		
	FOREIGN BANKS	33.92	235.52	64.07
	ALL BANKS	12272.18	18523.04	22027.92

Source: Reserve Bank of India
*Indicates banks closed/merged.